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TAGS: [ECON](#) [EFIN](#) [PREL](#) [EINV](#) [PGOV](#) [VE](#)
SUBJECT: BRV ENACTS CREDIT CARD LAW

Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) a
nd (d).

1. (SBU) SUMMARY: Legislation approved by the National Assembly on September 4, (posited as necessary for public order and social interest) codifies existing regulations and promulgates new ones for the credit card industry in Venezuela. Among its most significant clauses, the law prohibits banks from refusing credit cards to applicants based on questionable credit history and usurps bank freedom to set interest rates, fees and commissions. The latest twist in the ongoing assault on the private sector, this legislation will negatively impact the banking industry. Banks will now forgo the profits normally associated with unsecured consumer credit, such as revenue from annual fees and face higher costs in providing credit card services. Financial institutions have a 90 day grace period in which to comply with the law.

CHANGES TO CONSUMER CREDIT INDUSTRY

2. (SBU) On September 4, the National Assembly (NA) approved a credit cardlaw, the Law of Cards of Credit, Debit, Prepaid and other Financial Cards and Electronic Pay, which had been pending before the NA since 2005. The law incorporated the recommendations of the Executive and Supreme Court regarding these types of financial instruments and was billed as necessary for public order and social interest. The law gives banks a 90 day grace period in which to comply with the new regulations.

3. (SBU) The law makes important changes to the relationship between banks and the credit card holder. First, banks will no longer be permitted to deny credit to any credit card applicant based upon past failure to pay on credit cards. The law does allow banks to request a non-mortgage type guarantee from the applicant prior to the extension of credit, perhaps, in an attempt to soften this prohibition. In addition, banks are no longer permitted to charge annual fees nor compound interest.

4. (SBU) The law further stipulates the relationship between the banks, the Central Bank of Venezuela (CBV) and the Superintendent of Banks and Other Financial Institutions (SUDEBAN). The CBV will establish the monthly interest rates, surcharges and commission for the use of credit cards and will publish the fee structure monthly in the official gazette. The consumer credit industry will now be regulated by SUDEBAN, which will be responsible for authorizing the proper format for credit card pamphlets as well as authorizing all prizes and promotions offered by the banks.

5. (SBU) In line with the state purpose of the legislation, the law prohibits businesses from requiring customers to pay with credit cards. It also prohibits businesses from discriminating against the credit card user through minimum required purchase amounts, the elimination of discounts or exclusion from promotions. Furthermore, banks are required to revamp their existing Automatic Teller Machines (ATMs) to be handicapped accessible and to contain appropriate security systems.

COMMENT

5. (C) The new law will negatively impact banks involved in the credit card industry as they will receive less revenue from the business. In addition, banks will face higher costs associated with their credit business, stemming from the additional regulatory requirements and consumer protection clauses. These higher costs, coupled with reduced income, may cause the consumer credit market to shrink as banks

reduce involvement due to uncertain, unpredictable revenues. This legislation is simply the latest in the BRV's ongoing regulation of the banking industry. With little real impact on the consumer, this law is yet another election year tactic, one which the BRV can highlight as part of its ongoing move towards 21st Century Socialism.

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